Global Environment Facility
Trust Fund Grant Agreement

(Coastal and Biodiversity Management Project)

between

REPUBLIC OF GUINEA-BISSAU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Acting as an Implementing Agency of the

Global Environment Facility

Dated December 15, 2004
GLOBAL ENVIRONMENT FACILITY TRUST FUND
GRANT AGREEMENT

AGREEMENT, dated December 15, 2004, between the INTERNATIONAL
BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an
implementing agency of the Global Environment Facility (GEF) in respect of grant funds
provided to the GEF Trust Fund by certain members of the Bank as participants of the
GEF and the REPUBLIC OF GUINEA-BISSAU (the Recipient).

WHEREAS (A) the Bank has received a letter from the Recipient, dated March
18, 2004, describing a program designed to protect and sustainably manage the
Recipient’s natural resources, including fisheries (the Program) and declaring the
Recipient’s commitment to the execution of such program;

(B) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the
Executive Directors of the Bank, established the GEF to assist in the protection of the
global environment and promote thereby environmentally sound and sustainable
economic development;

(C) following the restructuring of the GEF, such arrangements continued in
place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive
Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed
the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(D) the second replenishment of the GEF Trust Fund was approved on the
basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the
Bank (Resolution No. 98-2);

(E) the third replenishment of the GEF Trust Fund was approved on the basis
set forth in Resolution No. 2002-2005 of December 19, 2002, of the Executive Directors
of the Bank (Resolution No. 2002-0005);

(F) the Recipient, having satisfied itself as to the feasibility and priority of
the project described in Schedule 2 to this Agreement (the Project), has requested
assistance from the resources of the GEF Trust Fund for funding Part A and a portion of
Parts B and D of the Project of the Project, and said request having been approved in
accordance with the provisions of the Instrument for the Establishment of the
Restructured Global Environment Facility approved under Resolution 94-2, and to be
funded from contributions to the GEF Trust Fund under Resolution No. 2002-0005, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2 or the second replenishment under Resolution 98-2;

(G) the Recipient has also requested International Development Association (the Association) to provide additional financing towards the financing of Part C and a portion of Parts B and D of the Project by an agreement of even date herewith between the Recipient and the Association, is agreeing to provide such assistance in an aggregate principal amount equivalent to SDR 2,100,000 (the Credit);

(H) Part A of the Project will be carried out by the Institute for Biodiversity and Protected Areas (IBAP), an autonomous entity to be established by the Recipient pursuant to Section 6.01 (b) of the Agreement referred to in the preceding paragraph and further defined in Section 1.02 (a) of this Agreement, such Part A to be carried out with the Recipient’s assistance and, as part of such assistance, the Recipient will make the proceeds of the GEF Trust Fund Grant provided for in Article II of the GEF Trust Fund Grant Agreement available to IBAP as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, as amended through December 2, 1997, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

(i) Article I;

(ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (16), (18), (19) and (20); Sections 2.02 and 2.03;

(iii) Section 3.01;
(iv) Section 4.01 and the first sentence of Section 4.09;

(v) Article V;

(vi) Sections 6.01, 6.02 (a), (c), (d), (e), (g), (i), (j), (k), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;

(vii) Section 8.01 (b);

(viii) Sections 9.01 (a), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;

(ix) Sections 10.01, 10.03 and 10.04;

(x) Article XI; and

(xi) Sections 12.01 (c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

(i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" means special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";

(ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;

(iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
(v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;

(vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

(vii) a new subparagraph (q) is added after subparagraph (p) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, in the Preamble to this Agreement and the Development Credit Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Development Credit Agreement” means the agreement of even date herewith between the Recipient and the Association for the Project, as such agreement may be amended from time to time; and such term includes the “General Conditions Applicable to Development Credit Agreements” of the Association dated January 1, 1985 (as amended through October 6, 1999) as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement;

(b) “Eligible Categories” means Categories (1) through (4), set forth in the table in Part A.1 of Schedule 1 to this Agreement; and

(c) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in the amount of four million eight hundred thousand dollars ($4,800,000).

Section 2.02. The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to
this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for Part A and a portion of Parts B and D the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be March 31, 2010 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall:

(i) cause IBAP, through the Project Implementation Decree, to carry out Part A of the Project;

(ii) through MoEF, carry out Parts B.1, B.2, and D of the Project;

(iii) through its Ministry of Fisheries cause CIPA, pursuant to arrangements acceptable to the Bank, to carry out Part B.3 of the Project; and

(iv) through the Office of the Prime Minister, carry out Part C of the Project;

all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, technical and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out or cause to be carried out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the works, goods and consultants’ services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.
Section 3.03. For the purposes of the carrying out Part A of the Project, the Recipient, through MoA, shall:

(a) facilitate the transfer of, *inter alia*, the appropriate responsibilities, personnel and resources to IBAP to enable it to carry out its functions, and have free access to the coastal zone data currently managed by MoA’s Coastal Planning Unit;

(b) cause IBAP, pursuant to arrangements acceptable to the Bank, to enter into an agreement with IUCN (the IBAP-IUCN Agreement), under terms and conditions satisfactory to Recipient and the Bank, including, *inter alia*, that IUCN shall: (i) facilitate the transfer to IBAP of the management of the Participating Protected Areas, including but not limited to the transfer to IBAP of the field structures, equipment, and documentation currently under the responsibility of IUCN’s Protected Areas Nucleus-NAP; (ii) be a member of the Steering Committee; and (iii) facilitate access by IBAP to all relevant biodiversity information, including biodiversity information available from the IUCN networks; and

(c) cause IBAP to exercise its rights under the IBAP-IUCN Agreement in such a manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant, and, except as the Bank shall otherwise agree, the Recipient shall cause IBAP not to assign, amend, abrogate or waive the IBAP-IUCN Agreement or any provision thereof.

Section 3.04. The Recipient shall:

(a) By not later than 24 months after the Effective Date, provide to the Bank evidence, in form and substance satisfactory to the Bank, of the creation of the Formosa Protected Area in the Administrative Region of Bolama e Bijagós, such Protected Area to include a Reserved Fishing Zone.

(b) By not later than 36 months after the Effective Date, provide to the Bank evidence, in form and substance satisfactory to the Bank, of the creation of the Cantanhez Protected Area in the Administrative Region of Tombali.

Section 3.05. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the future operation of the Project; and
(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section and those for Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof, and concerning said auditors, as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were Report-Based Disbursements or made on the basis of statements of expenditure, the Recipient shall:

(i) maintain, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank’s representatives to examine such records; and

(iv) ensure that such reports or statements of expenditures are included in the annual audit referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in paragraphs C and D of Schedule 4 to this Agreement, the Recipient shall prepare, in accordance with terms of reference acceptable to the Bank, and furnish to the Bank an FMR, in form and substance satisfactory to the Bank, which:

(i) sets forth actual and projected sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and projected sources and uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the previously forecast and actual implementation targets; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.
ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event are specified:

(a) an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out; and

(b) that the Recipient shall have abrogated or modified the legal status of the Participating Protected Areas, or taken any action, including the enactment or issuance of laws or regulations, which, in the opinion of the Bank, may adversely affect, prevent, or interfere with, the carrying out of the Project or the performance by the Recipient of any of its obligations under this Agreement.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Development Credit Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only to the effectiveness of this Agreement have been fulfilled.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Economy and Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.
Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministério da Economia e Finanças
C. P. 67
Bissau
Guinea-Bissau

Cable address: Telex: Facsimile:
MEF 257 MEF B1 201626

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex: Facsimile
INTBAFRAD 248423 (MCI) or (202) 477 6391
Washington, D.C. 64145 (MCI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUINEA-BISSAU

By /s/ Henrique da Silva
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
as an Implementing Agency of the Global Environment Facility

By /s/ Mahmood A. Ayub
Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in US$ Equivalent)</th>
<th>% of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) For Part A of the Project</td>
<td>700,000</td>
<td></td>
</tr>
<tr>
<td>(b) For Part B of the Project</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>(2) Works</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) For Part A of the Project</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>(3) Consultants’ Services and audits</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(including Training and Workshops)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) For Part A of the Project</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>(b) For Part B of the Project</td>
<td>600,000</td>
<td></td>
</tr>
<tr>
<td>(c) For Part C of the Project</td>
<td>170,000</td>
<td></td>
</tr>
<tr>
<td>(d) For Part D of the Project</td>
<td>600,000</td>
<td></td>
</tr>
<tr>
<td>(4) Incremental Operating Costs</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) For Part A of the Project</td>
<td>340,000</td>
<td></td>
</tr>
<tr>
<td>(b) For Part B of the Project</td>
<td>220,000</td>
<td></td>
</tr>
<tr>
<td>(c) For Part D of the Project</td>
<td>80,000</td>
<td></td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>500,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule, the term “Incremental Operating Costs” means the incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, office rent, travel, per diem and allowances, travel and accommodation, and reasonable bank charges related to the operation of the Special Account, but excluding salaries of the Recipient’s civil servants.

3. For purposes of this Agreement, it is understood that the percentages of expenditures to be financed under the table set forth in paragraph 1 of this Schedule have been calculated on the basis of the provisions of a decision of the Recipient’s Ministry of Economy and Finance convened to the Association through letters dated March 14, 2003 and May 27, 2003, respectively, confirming the exemption of taxes and custom duties levied in the territory of the Recipient on works, goods and services for this Project. In the event of any change which has the effect of levying taxes or customs duties on such works, goods and services, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) goods costing less than $150,000 equivalent per contract; (b) works costing less than $200,000 equivalent per contract; (c) services of consulting firms costing less than $100,000 equivalent per contract; (d) services of individual consultants costing less than $50,000 equivalent per contract; and (e) training, workshops, Incremental Operating Costs, and Recurrent Costs for IBAP, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

6. If the Bank shall have determined at any time that any amount of the GEF Trust Fund Grant was used in a manner inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equivalent to the amount so used.

7. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank only a
statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient shall open and maintain in FCFA a special deposit account in a commercial Bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

   (a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

   (c) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based
Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Recipient and the Guarantor of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient and the Guarantor of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.
Annex A

to

SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of FCFA 250,000,000 equivalent to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to FCFA 125,000,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of $960,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts, which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount, as the Recipient shall have requested.

   (b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.
3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant shall follow such procedures, as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B

to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. The Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement shall deposit withdrawals from the GEF Trust Fund Grant Account. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen the Recipient’s institutional framework and build human resource capacity to protect and sustainably manage its coastal and biological resources.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

Part A: Protected Areas and Threatened Species Management

1. Institutional strengthening of IBAP for the purposes of assisting it in the carrying out of national policies and strategies for biodiversity conservation and Protected Areas management through, *inter alia*, the development of internal administrative and financial operating procedures, the equipping of both IBAP headquarters and Protected Areas, the recruitment of staff, and the provision of training.

2. Carrying out of management activities in the Participating Protected Areas such as demarcation of boundaries, patrolling, maintaining dialogue of resident population through meetings, monitoring the use of natural resources by resident population, and chairing meetings of Participating Protected Areas management committees that includes representatives of communities in a decentralized participatory manner.

3. Preparing and carrying out action plans with the overall purpose of improving the management of the following threatened species: turtles, manatees and primates.

4. Carrying out of technical studies for the purpose of creating the Cantanhez Protected Area.

Part B: Natural Resources Management

1. Financing of Micro-projects in and around the Participating Protected Areas to assist communities in identifying and implementing small-scale, biodiversity-friendly activities, such activities to include, *inter alia*: supporting artisanal fisheries, diversification and transformation of agricultural and forest products and promoting renewable energy alternatives.
2. Carrying out of studies for the purpose of promoting the creation of a sustainable private mechanism for financing activities such as those described in Part B.1 above, and for supporting the cost of operating the protected areas system.

3. Carrying out of participatory management and sustainable use of Reserved Fishing Zones and other fishing areas, through activities including, *inter alia*, support of monitoring, control and surveillance of artisanal and industrial fisheries.

**Part C: Environmental and Social Safeguard Framework**

Development and implementation of an environmental and social safeguard framework through the preparation and adoption of policies and procedures necessary for ensuring that environmental and social concerns are taken into account in the development decision-making process. Specific activities include:

1. Building the Recipient’s capacity to evaluate and monitor the environmental and social implications of development proposals, with an emphasis on understanding the potential environmental and social impacts associated with petroleum exploration and fisheries.

2. Supporting the mainstreaming of environmental law through harmonization of the national legislation to meet the Recipient’s commitments to biodiversity-related international conventions.

**Part D: Project Management and Monitoring and Evaluation**

Supporting Project implementation, coordination, financial management, monitoring and evaluation through, *inter alia*, the provision of technical advisory services and training, financing of operating costs, minor rehabilitation works, and the acquisition of equipment and vehicles.

* * *

The Project is expected to be completed by September 30, 2009.
SCHEDULE 3

Procurement and Consultants’ Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

   (a) Grouping of contracts

       To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost respectively $150,000 and $200,000 equivalent or more each.

   (b) Preference for domestically manufactured goods and domestic contractors

       The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured or assembled in the country and domestic contractors in the territory of the Recipient.

Part C: Other Procurement Procedures

(a) Goods estimated to cost less than $150,000 equivalent per contract, up to the aggregate amount not exceeding $800,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.
(b) Works estimated to cost less than $200,000 equivalent per contract, up to the aggregate amount not exceeding $500,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than $50,000 equivalent per contract, up to the aggregate amount not exceeding $500,000, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN agencies

Goods estimated to cost less than $50,000 as specified in the Procurement Plan may be procured from UNDP’s Inter-Agency Procurement Service Office in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than $50,000 equivalent per contract, up to the aggregate amount not exceeding $200,000, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.
2. Prior Review

(a) Goods

With respect to each contract estimated to cost the equivalent of $150,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) Works

With respect to each contract estimated to cost the equivalent of $200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraphs 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants’ services shall be procured in accordance with the provisions of Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants’ services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services, estimated to cost less than $100,000 equivalent per
contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants’ Qualifications

Services estimated to cost less than $50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services for financial audit, works supervision and other tasks of standard nature may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants’ services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.
2. Prior Review

(a) Firms

With respect to: (i) each contract estimated to cost the equivalent of $100,000 or more; and (ii) each contract estimated to cost the equivalent of less than $100,000 during the first year of Project implementation, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) Individuals

With respect to: (i) each contract estimated to cost the equivalent of $50,000 or more; and (ii) the first three contracts estimated to cost the equivalent of less than $50,000, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) Terms of Reference and Short List

The terms of reference and the short list of firms or individuals, as the case may be, shall be furnished to the Bank for its prior review and approval in respect of all contracts for services of consulting firms not exceeding $50,000, and in respect of all contracts for services of individual consultants not exceeding $30,000.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.
SCHEDULE 4

Implementation Schedule

A. Overall Project Implementation

1. The Recipient shall:

   (a) Establish and thereafter maintain the PMU within MoEF, throughout the period of implementation of the Project, with structure, functions and responsibilities, and with competent staff in adequate numbers and qualifications satisfactory to the Bank;

   (b) Establish and thereafter maintain the Steering Committee, throughout the period of implementation of the Project, with membership, mandate and procedures satisfactory to the Bank for the purposes of, inter alia, oversee the overall Project implementation, and provide advice and policy guidance and facilitate coordination among the Borrower’s ministries and agencies.

2. Except as the Bank shall otherwise agree, the Recipient shall: (a) apply the criteria, policies, requirements and procedures set out in the Project Implementation Plan and in the Procedures Manual; and (b) not amend or waive, or permit to be amended or waived, the Project Implementation Plan or in the Procedures Manual, or any provisions thereof, in a manner which, in the opinion of the Bank may materially and adversely affect the implementation of the Project.

3. Without limitation upon the other provisions of this Agreement, the Recipient shall carry out the Project in accordance with the relevant Annual Work Program referred to in Part C.1 (b) of this Schedule.

B. Environmental and Social Management Framework (ESMF), Process Framework (PF) and Resettlement Policy Framework (RPF)

1. Except as the Bank shall otherwise agree, the Recipient shall:

   (a) Carry out or cause the Project to be carried in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the ESMF, the PF and the RPF (including the preparation and implementation of the appropriate action plans for compensation or resettlement, as the case may be, in accordance with the PF and the RPF, said plans to be in form and substance satisfactory to the Bank); and
(b) Not amend or waive, or permit to be amended or waived, the ESMF, the PF or the RPF, or any provisions thereof, in a manner, which, in the opinion of the Bank may materially and adversely affect the implementation of the Project.

2. The Recipient shall ensure that: (a) all measures necessary for the carrying out of the ESMF, the PF and the RPF are taken in a timely manner; and (b) the progress reports referred to in paragraph C.1(c) and D.2 of this Schedule shall include adequate information on monitoring the measures defined in the ESMF, the PF and the RPF.

C. Monitoring, Annual Work Program and Reporting

1. The Recipient shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

   (b) prepare an annual work program in form and substance satisfactory to the Bank (the Annual Work Program), and furnish it to the Bank, on or about September 30 of each year, such Program to describe the activities to be carried out and expenditures to be made under the Project for the following calendar year;

   (c) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph F.1 (a) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

   (d) review with the Bank, by July of each year, or such later date as the Bank shall request, the report referred to in paragraph C.1 (c) of this Section, and thereafter act promptly and diligently in order to take, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement such measures as may have been agreed between the Recipient and the Bank in furtherance of the objectives of the Project.
D. Midterm Review

1. The Recipient shall carry out, jointly with the Bank, not later than April 30, 2007, a comprehensive midterm review aimed at: (a) documenting progress toward achieving the Project objectives; (b) identifying and resolving obstacles to Project implementation; (c) adjusting, in agreement with the Bank, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review; and (d) an overall evaluation of the Project against the indicators set forth in Schedule 5 to this Agreement.

2. The Recipient shall not later than four weeks prior to the midterm review referred to in paragraph C.1 above, furnish to the Bank a midterm report, in such detail as the Bank shall reasonably request, including an evaluation of the progress achieved in the Project implementation.

3. Promptly after completing the midterm review, the Recipient shall take all measures required to fulfill the recommendations arising out of said review for the efficient completion of the Project and the achievement of the objectives thereof, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank’s comments thereon.
SCHEDULE 5

Performance Indicators

The performance indicators to be used for Project implementation are as follows:

1. By the end of the Project, at least 3,500 square km of land and water under improved management, as defined in the PIP.

2. As of January 1, 2007, the number of infringements of the applicable regulatory framework related to the Reserved Fishing Zones by fishing vessels decreases by 10% per year in relation to the baseline established in calendar year 2006.

3. As of January 1, 2007, the Recipient provides sufficient financial resources to cover the operational and maintenance costs of all fisheries surveillance activities (including surveillance stations, vessels and patrols).

4. By the end of the Project, all of public and private development projects eligible for review are submitted for environmental impact assessment review prior to being implemented, by the end of the Project.